

## Democrats plan for a permanent depression

by Graham Lowry, U.S. Editor

In the final days before Congress recessed Oct. 1 for the November election campaigns, the Democratic leadership publicly gloated over the success of the Socialist International's December 1980 strategy to "Hooverize" President Reagan. Yet at the same time these Democrats were pretending to absolve themselves of responsibility for the worst economic crisis since the 14th century, they were churning out legislative proposals for a reorganization of the U.S. economy—schemes which they openly premise on its collapse and tacitly premise on a permanent depression.

On Sept. 28, two days before House Speaker Tip O'Neill accused Reagan of having brought America "to the brink of disaster" and described the President as "Hoover with a smile," O'Neill made a rare appearance to testify before a House banking subcommittee in support of establishing an economic austerity dictatorship through a new Reconstruction Finance Corporation.

O'Neill's endorsement of the RFC proposal, designed by former New York City triage director Felix Rohatyn of Lazard Frères investment bank, has been taken on Capitol Hill as a signal that House Democrats will put the plan high on their legislative agenda when the new Congress convenes in January. The prospects for getting the RFC proposal signed into law, its supporters estimate, simply depend on "how soon we get a few major bankruptcies," as one staffer put it.

Testifying before the same House banking subcommittee Sept. 15, Rohatyn himself was relatively candid in describing the RFC as a domestic application of the "conditionalities"

policy of the International Monetary Fund. The former chairman of New York City's Municipal Assistance Corporation ("Big Mac"), the city's vital services, infrastructure, and work force during the 1970s, compared "Big MAC's" role "to the one the RFC could play." Rohatyn added the observation that "the IMF is a worldwide version of the Municipal Assistance Corporation."

Rohatyn outlined to the subcommittee how the RFC would use more than \$30 billion in potential loan offerings to discipline industry as well as "the various states, business, and the local labor unions and banks. As with industry, reform and restructuring would, in many cases, have to be the quid pro quo for receiving capital on favorable terms." As for the "reforms" required, Rohatyn added that the RFC "might have to insist, as a condition for capital, that the weaker parts of some industries be phased out, that new management be found, that labor contracts be modified, that ways be found to increase productivity."

### The legislative agenda

Legislation to implement Rohatyn's scheme has already been introduced to the Senate by Daniel Moynihan (D-N.Y.), the longtime stringer for Nazi eugenics advocate Averell Harriman. Testifying along with Rohatyn, Moynihan told the committee, "Economic growth is a process of 'creative destruction,' Josef Schumpeter said. . . . Unless a country is willing to let its less efficient companies disappear, it can

never free up its capital for more productive employment.” Moynihan’s proposal for burying what remains of America’s basic industries includes RFC loans to companies that produce “a plan to shut down gradually without the economic disruption of a sudden closure.” Democrats have filed a number of similar bills in the House to establish an RFC, including H.R. 6000 and H.R. 3218.

During the week of Rohatyn’s testimony, the House Democratic Caucus released its “long-term economic policy,” similarly premised on the elimination of America’s heavy industrial base.

The proposal, replete with rhetoric about relocating and retraining workers as their jobs in industry disappear, was presented by Rep. Timothy Wirth of Colorado, an endorser of the Carter administration’s *Global 2000 Report*, which prescribes reducing the world population by 2 billion before the turn of the century, citing “scarce resources.”

Legislation is also being prepared in Congress by other proponents of *Global 2000* which would force workers whose jobs are to be eliminated to finance their own “retraining” and relocation.

The Northeast-Midwest Coalition, dominated by liberal Democrats from the House and Senate, made that recommendation last month in releasing a report on “Retooling the American Work Force,” written by Pat Choate, a former fellow of a leading “post-industrial society” think tank, the Academy for Contemporary Problems.

Choate’s study, premised on the objective of eliminating up to 15 million industrial jobs by the end of the century, proposes that an “Individual Training Account” of \$6,000 be required for each worker, paid in equally by the worker and employer over a six-year period. Once a worker’s industrial job is eliminated, he would receive only 12 to 14 weeks of unemployment compensation, after which he would be required to draw on his “retraining-relocation account” or have his unemployment benefits cut off.

Choate’s proposal calls for looting the work force on a scale that Nazi Finance Minister Hjalmar Schacht would envy.

In the course of financing their own removal from industrial employment, workers forced to contribute would build up a fund that Choate and other Capitol Hill sources estimate would quickly reach \$400-\$450 billion. The fund would be “administered by an agency of the federal government such as the Treasury or the Federal Reserve System” and “will serve as a source of borrowing by the government.” Congressional sources report that Sen. Gary Hart (D-Colo.) and Sen. Bill Bradley (D-N.J.) are considering legislation to establish the “Individual Training Account.”

### **The worst of the New Deal**

The Democrats’ package for the U.S. economy also includes proposals indicating where many of the industrial workers to be displaced will end up—working on low-wage

public works projects comparable to the declining Roman Empire’s repaving the Appian Way. Senator Moynihan, two days after his testimony lauding the “creative destruction” of his RFC bill, introduced legislation Sept. 17 aimed at scraping the American System powers of Congress to foster internal improvements, in favor of bare-bones projects for selective maintenance and repair of America’s collapsing infrastructure. Edward Kennedy (D-Mass.) and Alan Cranston (D-Calif.), along with Hart and Bradley, are among the sponsors of the bill, filed as S. 2926, “The Rebuilding of America Act of 1982.”

The bill would place all policy-initiating authority “over the next 10 to 20 years” in the hands of an independent commission to be chaired by a non-elected budget “expert” from the private sector. The commission would determine over two years the priorities and funding mechanisms for public works for the coming decades, and its recommendations “shall be deemed to be approved by Congress and shall be the policy of the federal government” unless Congress enacts “a joint resolution of disapproval” within 120 days.

Cosponsor Gary Hart, also a public endorser of the *Global 2000 Report*, emphasized on the Senate floor that the intent of the bill is to scrap projects like the Tennessee-Tombigbee Waterway and other wealth-generating infrastructural projects which the *Global 2000* group demagogically terms “porkbarrels.”

Hart declared, “We cannot continue the failed ‘porkbarrel’ politics of the past. Rather, we must spend our limited resources on those projects that will provide the greatest benefit to the public.” Senator Moynihan invoked the thinking behind the proposal in citing as “the most persuasive case” for his proposed commission another study co-authored by Pat Choate, “America in Ruins: Beyond the Public Works Pork Barrel.”

### **... and Albert Speer**

Like the worker relocation fund, Moynihan’s scheme also has a “self-financing” feature, proposing user fees and excise taxes to finance repairs of roads, bridges, and water and sewer systems to be selected on a basis of “regional equity.”

The bill directs the commission to take “into account the least-cost life-cycle costs” of any projects undertaken, and to explore scheduling the projects during downturns in the economy, “in order to reduce the cost of such work.”

Put all of these programs under the dictatorship of the “domestic IMF” envisioned in Felix Rohatyn’s Reconstruction Finance Corporation, and you have a fairly detailed picture of what Ted Kennedy and the Harrimanite wing of the Democratic Party are preparing as the “alternative” to the depression their friend Paul Volcker has ensured. In the words of one longtime Washington *EIR* associate, “Why don’t they just call it the Albert Speer Memorial?”